

Message Text

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PAGE 01 JIDDA 03082 240827Z

ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 PA-01 SP-02 SS-15 NSCE-00
SSO-00 ICAE-00 INRE-00 AID-05 COME-00 FRB-03
TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01
STR-07 CEA-01 DOE-15 SOE-02 AGRE-00 MMO-01 /101 W
-----038073 240836Z /14

O R 240700Z APR 78

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 1829

INFO USLO RIYADH

AMCONSUL DHAHRAN

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E.O. 11652: N/A

TAGS: ETRD, BEXP, SA

SUBJECT: INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY

REF: STATE 95673

1. THE U.S. MISSION IN SAUDI ARABIA WELCOMES THE INTERAGENCY EFFORT TO DEVELOP A NATIONAL EXPORT POLICY. ANY EFFORT BY THE USG TO INCREASE EXPORTS MUST TAKE INTO ACCOUNT THE IMPORTANCE OF SAUDI ARABIA AND THIS REGION. SAUDI ARABIA IS THE SINGLE FASTEST GROWING MARKET FOR U.S. GOODS IN THE FASTEST GROWING MARKET AREA OF THE WORLD. THE SALE OF U.S. GOODS AND SERVICES HERE IS VITAL NOT ONLY FOR THE DIRECT ECONOMIC BENEFITS THEY BRING, BUT BECAUSE OF THE REINFORCEMENT THEY GIVE TO THE U.S. PRESENCE IN THIS KEY COUNTRY. THE TIES OF MUTUAL INTEREST WHICH A STRONG U.S.-SAUDI COMMERCIAL RELATIONSHIP CREATE CAN HELP ENCOURAGE THE SAUDI ARABIAN GOVERNMENT TO ACT RESPONSIVELY AND RESPONSIBLY TO U.S. ENERGY NEEDS.

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PAGE 02 JIDDA 03082 240827Z

2. OUR FIRST THOUGHT IS THAT, IF WE ARE TO MOUNT ANY MEANINGFUL TRADE EXPANSION EFFORT IN THIS IMPORTANT AREA, WE HAVE CHOSEN ENTIRELY THE WRONG TIME TO DISMANTLE THE ONE ACTION-ORIENTED, MARKET-TARGETED GROUP IN THE U.S. GOVERNMENT WHICH WAS PUSHING U.S. GOODS AND SERVICES IN THE MARKET. WE ARE REFERRING TO USDOC/CAGNE. STRIPPING THIS ORGANIZATION OF ITS

MANPOWER AND FUNCTIONS MAKES NO SENSE TO US.

3. SECONDLY, IF THE U.S. IS TO MAINTAIN ITS PRIMACY IN THE SAUDI MARKET, IT MUST BE THROUGH THE PRESENCE OF A LARGE NUMBER OF U.S. EXPATRIATES, WHO SERVE AS TECHNICAL ADVISORS, ENGINEERS, TEACHERS, ARCHITECTS, ETC., TO THE SAUDI DEVELOPMENT PROGRAMS AND MULTIPLY OUR SALES EFFORT HERE. WE ARE PLEASED THAT SECTION 911 OF THE 1976 TAX ACT SEEMS TO BE ON THE WAY TO BEING REVISED. WE ARE NOT SURE, HOWEVER, THAT THE ADMINISTRATION'S PROPOSED SECTION 911 GOES FAR ENOUGH TO MEET THE NEEDS OF THE AMERICAN EMPLOYERS IN THIS MARKET AND RECOMMEND THAT THE ADMINISTRATION CONSIDER SUPPORTING A MORE LIBERAL POSITION.

4. THE SIZE OF THE SAUDI ARABIAN MARKET AND THE VALUE OF PROJECTS UNDERTAKEN HERE CREATE SPECIAL AND PECULIAR PROBLEMS FOR AMERICAN EXPORTERS AND CONTRACTORS. ONE OF THOSE IS THE SAUDI SYSTEM OF BONDING REQUIREMENTS, AND THE USG REQUIREMENT THAT LETTERS OF CREDIT OR OTHER INSTRUMENTS POSTED FOR BONDING PURPOSES BE COUNTED DOLLAR FOR DOLLAR AS CALLS ON A CORPORATION'S LINE OF CREDIT. OUR COMPETITORS DO NOT HAVE THIS PROBLEM AND ARE ABLE TO BOND AT MINIMAL COST. WE RECOMMEND THAT DURING THE FORTHCOMING RENEWAL OF THE EXPORT-IMPORT BANK'S AUTHORITY THAT AUTHORITY BE WIDENED TO AUTHORIZE LIMITED OFFICIAL USE

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PAGE 03 JIDDA 03082 240827Z

EX-IM TO ISSUE DIRECT GUARANTEES AS DO ITS COMPETITORS.

5. FINALLY, IF THE USG TAKES SERIOUSLY ITS TRADE PROMOTION ACTIVITIES IN THIS PART OF THE WORLD, IT MUST SEEK TO MINIMIZE THE ADVERSE EFFECTS ON THESE ACTIVITIES OF OTHER LEGISLATION. SECTION 911 OF THE TAX ACT IS ONLY ONE EXAMPLE OF A SELF-INFLICTED WOUND; OTHERS WHICH SPRING TO MIND ARE THE ANTI-BOYCOTT PROVISIONS OF THE TAX REFORM AND EXPORT ADMINISTRATION ACTS. THESE U.S. LEGISLATIVE ACTS HAVE A SEVERE INHIBITING AND COST-INCREASING EFFECT ON U.S. BUSINESSES OPERATING IN, SELLING TO, OR SEEKING TO ENTER THE SAUDI MARKET. IF EXPORT PROMOTION IS TO BE GIVEN SIGNIFICANT NATIONAL PRIORITY, IT SHOULD HAVE PRECEDENCE OVER WELL-MEANING BUT OTHERWISE CRIPPLING LEGISLATION. WEST

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, EXPORTS, INTERAGENCY COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JIDDA03082
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780174-0316
Format: TEL
From: JIDDA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780425/aaaaaugh.tel
Line Count: 110
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 05d3c9a8-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: 78 STATE 95673
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2872846
Secure: OPEN
Status: NATIVE
Subject: INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY
TAGS: ETRD, BEXP, SA
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/05d3c9a8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014